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April 16, 2018

**VIA ELECTRONIC FILING**

The Honorable Jocelyn Boyd  
Chief Clerk/Administrator  
Public Service Commission of South Carolina  
101 Executive Center Drive  
Columbia, SC 29210

RE: Office of Regulatory Staffs Petition for an Order Requiring Utilities to  
Report the Impact of the Tax Cuts and Jobs Act  
Docket No. 2017-381-A

Dear Ms. Boyd:

On April 6, 2018, the South Carolina Office of Regulatory Staff ("ORS") filed a document entitled "Motion To Preserve Tax Benefits for Ratepayer" ("Motion") with the Public Service Commission of South Carolina ("Commission"). In its Motion, ORS appears concerned with South Carolina Electric & Gas Company's ("SCE&G" or "Company") comments filed on January 24, 2018, in response to Commission Order No. 2018-26, and may even believe that SCE&G does not intend to adjust its retail electric rates to account for the impact of the new federal tax law. To the extent that ORS believes that SCE&G does not intend to adjust its retail electric or natural gas rates to reflect the impact of the new federal tax law or that any rate adjustment is tied exclusively to the approval of the merger between SCANA and Dominion Energy, Inc., this letter's purpose is to dispel any such misbelief.

SCE&G is committed to ensuring that its retail electric and natural gas customers receive the full benefit of the new federal tax law and that the benefits derived from the tax law will be effective as of January 1, 2018. Moreover, the Company's commitment is not conditional. In support of its commitment and in accordance with Generally Accepted Accounting Principles and the Federal Energy Regulatory Commission's Uniform System of Accounts, the Company has established the appropriate liabilities (e.g., excess deferred income taxes and revenues subject to refund) in order to preserve the benefit of the reduced tax rates for its customers.

(Continued . . .)

Turning to ORS's request for a May 1, 2018 reporting deadline, SCE&G is working diligently on this matter in anticipation that the Commission may grant ORS's request that it establish May 1, 2018, as the deadline for SCE&G to report the estimated savings, and when and how the Company proposes to return these tax benefits to its customers.<sup>1</sup> SCE&G's proposal will necessarily reflect estimates and assumptions, particularly with respect to the proposed timing of the flow-back of excess deferred income taxes, including those amounts for which the Average Rate Assumption Method ("ARAM") may apply (e.g., normalization-protected amounts) and those for which such normalization requirements may not apply. SCE&G anticipates that it can timely comply with the requested May 1, 2018 deadline; however, in its March 30 letter, ORS stated, "[f]or the three largest investor-owned utilities, the Commission should give serious consideration to the three-step process utilized by the Michigan Public Service Commission to provide customers the savings in an accelerated manner." SCE&G is actively seeking to understand the Michigan three-step process, but it does not anticipate completing its analysis of the Michigan process by May 1, 2018. **If the Commission directs SCE&G to include within its May 1, 2018 report information concerning the Michigan three-step process, then the Company will require additional time to complete its report.**

**If you have any questions or need additional information, please do not hesitate to contact us.**

Very truly yours,



K. Chad Burgess

KCB/kms

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<sup>1</sup> By letter dated March 30, 2018, ORS originally requested that the Commission require "[t]he utilities to report by no later than May 31, 2018, the estimated tax savings and when and how the utility will pass those savings to the ratepayer." While ORS does not explain in its Motion the need to change the reporting deadline from May 31, 2018 to May 1, 2018, it appears that a May 31, 2018 deadline remains acceptable to ORS. See letter dated April 13, 2018, from ORS to the Chief Clerk & Administrator stating, "ORS does not object to [Duke Energy Carolinas, LLC and Duke Energy Progress, LLC] request for a May 31, 2018, filing date for information requested by ORS . . . ."

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